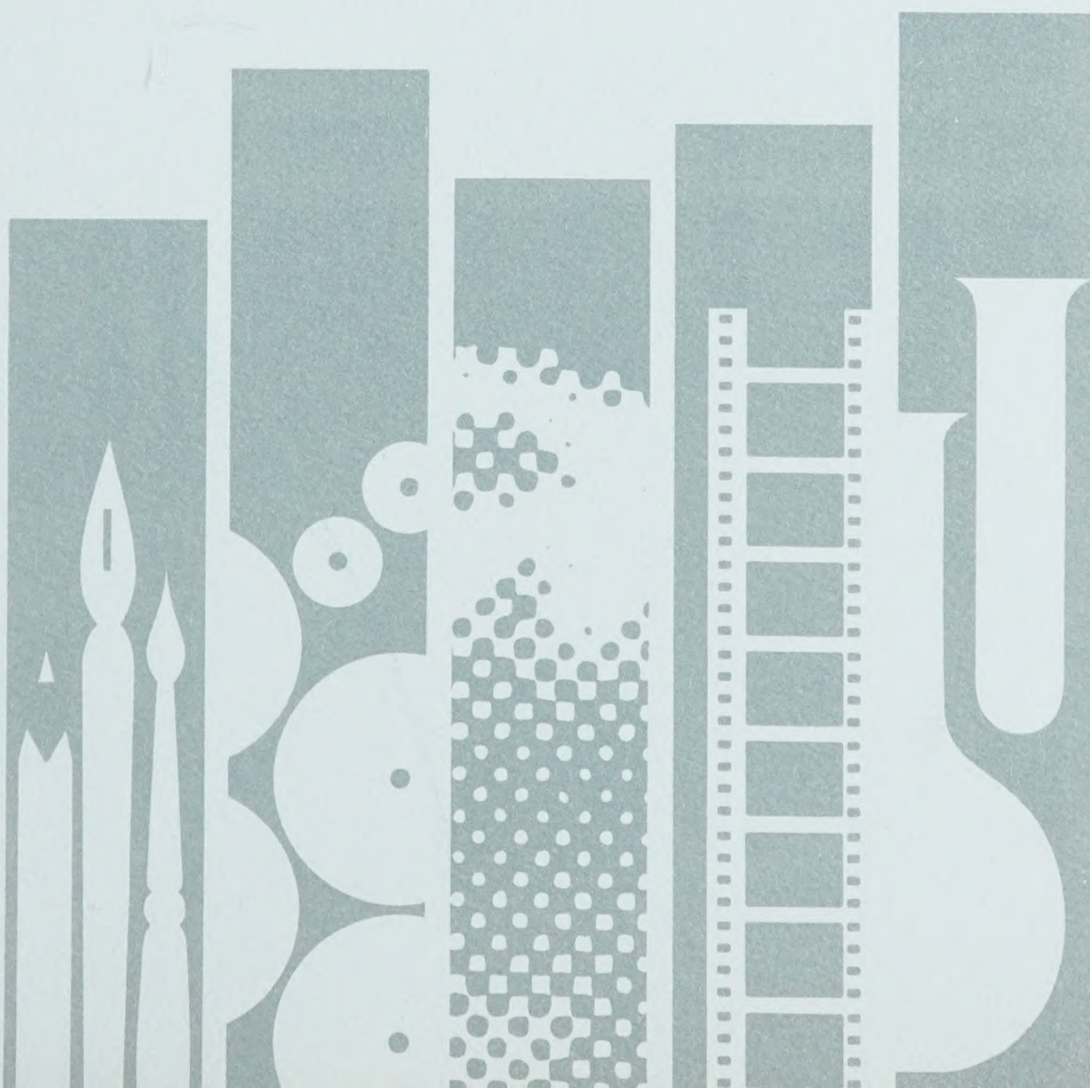


RAPID GRIP AND BATTEN, LIMITED
ANNUAL REPORT 1966



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DIRECTORS

R. A. Batten, Sr.
J. H. Batten
R. A. Batten
W. H. Batten
C. A. Brook
R. O. Funston
K. E. Hopkins
D. R. Keedwell
D. J. Walker

OFFICERS

J. H. Batten, *Chairman of the Board*
R. A. Batten, *President*
W. H. Batten, *Executive Vice-President*
D. R. Keedwell, *Vice-President and Secretary*
K. E. Hopkins, *Vice-President Sales*
R. W. Porter, *Comptroller*

BRANCH MANAGERS

N. H. Clark, *Toronto*
R. L. Munro, *Montreal*
D. S. Guest, *Ottawa*
W. A. Herold, *Herold & Garbe*

TRANSFER AGENTS AND REGISTRARS

Montreal Trust Company, Toronto — *Shares*
Guaranty Trust Company of Canada, Toronto — *Bonds*

AUDITORS

Touche, Ross, Bailey & Smart

BANKERS

The Royal Bank of Canada

SOLICITORS

Walker, Rice, Ellis & Pezzack

HEAD OFFICE

224 Richmond St. West, Toronto

FIVE YEAR FINANCIAL SUMMARY

	1966	1965	1964	1963	1962
CURRENT POSITION					
Current assets	\$2,679,848	\$2,418,426	\$2,326,390	\$1,906,029	\$1,668,965
Current liabilities	\$1,363,297	\$1,465,930	\$1,532,237	\$604,426	\$482,962
Working capital	\$1,316,551	\$952,496	\$794,153	\$1,265,602	\$1,186,003
Current ratio	1.9	1.6	1.5	3.0	3.4

PROPERTY, PLANT & EQUIPMENT

Investment in property, plant equipment and improvements	\$4,654,805	\$4,500,756	\$4,555,053	\$3,695,453	\$3,499,354
Accumulated depreciation	\$2,794,496	\$2,634,293	\$2,681,306	\$2,476,984	\$2,327,016
Provision for depreciation	\$168,344	\$178,808	\$180,902	\$159,674	\$179,735
Amortization of improvements	\$31,066	\$29,142	\$27,544	\$23,687	\$16,577
Expenditures	\$355,417	\$325,703	\$881,425	\$210,762	\$194,607

FUNDED DEBT

Bonds outstanding	\$227,000	\$249,000	\$286,000	\$291,000	\$295,500
Earnings before bond interest, depreciation and income taxes	\$722,540	\$634,970	\$515,543	\$474,745	\$431,520
Times bond interest earned	63.7	51.0	36.1	32.6	29.2
Bond interest	\$11,819	\$12,974	\$14,444	\$14,636	\$17,483

SHAREHOLDERS' EQUITY

Preferred stock	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000
Class A and common stock	\$541,088	\$541,088	\$541,088	\$383,850	\$383,850
Retained earnings	\$1,997,512	\$1,523,631	\$1,398,852	\$1,329,006	\$1,232,111
Class A and common equity	\$2,538,600	\$2,064,719	\$1,939,940	\$1,712,856	\$1,615,961
Per share	\$8.60	\$6.99	\$6.57	\$6.77	\$6.38

EARNINGS AND DIVIDENDS

Net earnings	\$267,011	\$224,679	\$169,745	\$158,634	\$120,701
Per preferred share	\$66.75	\$56.16	\$42.43	\$39.65	\$30.17
Per Class A share	\$1.92	\$1.58	\$1.15	\$1.06	\$.76
Per common share	\$.99	\$.74	\$.41	\$.46	\$.16
Dividends declared	\$99,900	\$99,900	\$99,900	\$99,900	\$99,900
Per preferred share	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00
Per Class A share	\$.60	\$.60	\$.60	\$.60	\$.60

PRESIDENT'S REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, I am submitting the Company's Consolidated Balance Sheet at December 31, 1966 the Consolidated Statements of Earnings and Retained Earnings and Working Capital for the year as certified by our Auditors, Touche, Ross, Bailey & Smart, together with a Five Year Financial Summary.

I am pleased to report that the expropriation of Montreal property, that has encumbered our accounts of the past few years, has been settled by judgment rendered by the Montreal Expropriation Bureau of the Province of Quebec. The balance of the amount owing is shown on the Consolidated Balance Sheet as "Due on Expropriation."

SALES AND EARNINGS

A small increase in sales volume was recorded during the year, however, the provisions of the Canada Corporations Act requiring disclosure of the total amount of sales were considered by your directors to be detrimental to the interests of the Company and pursuant to an Order of the Chief Justice of Ontario the total amount of sales has been omitted from the statements.

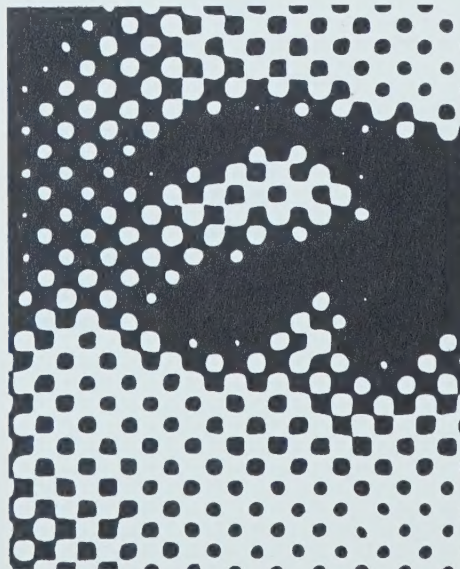
Consolidated earnings after all charges and taxes on income amounted to \$267,011 an increase of \$42,332 in comparison with 1965 earnings of \$224,679. Earnings were equivalent to \$66.75 on each preferred share compared with \$56.16 last year. After provision for the

respective annual dividends, \$1.92 was available for each Class A share and 99¢ remained available for each common share. Earnings in the previous year equalled \$1.58 for each Class A share and 74¢ for each common share. Earnings do not include any gains or expenditures with respect to the expropriation of property except to the extent of interest on bank loans and depreciation charged on building improvements not considered to be recovered in the settlement.

The improvement in profits has been due to improved production efficiency and the discontinuation of the manufacture of products in certain markets that were not yielding satisfactory returns.

The relative contribution to earnings from the motion picture studio, whose operations were impeded for part of the year due to fire damages, was less than that of the previous year.

Dividends amounted to \$99,900 being 37.4% of consolidated earnings. Payments were made quarterly at the annual rate of \$6.00 on each preferred share and 60¢ on each Class A share.



FINANCIAL POSITION

Consolidated working capital at the end of the year totalled \$1,316,551 an improvement of \$364,055 over the previous year, resulting principally from recording the expropriation settlement. The liability for income taxes has been calculated upon depreciation charged in the accounts on the basis of normal capital cost allowances. We are claiming for tax purposes capital cost allowances in excess of the depreciation recorded as permitted under tax incentive legislation. The amount by which income tax payments has been reduced is carried forward in the balance sheet under "Deferred Income Taxes" to be applied in future years when capital cost allowances claimed are less than the depreciation recorded.

Expenditures on fixed assets and plant improvements totalled \$355,417 compared with purchases of \$325,703 made last year. These expenditures included the acquisition of real estate in Toronto for use by an associate Company and Montreal building improvement costs of \$169,173 made in 1964 which we have not considered to be recovered in the expropriation settlement.

Funded debt was reduced to \$227,000 by the purchase of bonds totalling \$22,000 and the amount necessary to complete the sinking fund requirements to June 1, 1967 has been shown in current liabilities. Earnings before bond interest, depreciation and taxes on income amounted to \$722,540 in comparison with \$634,970 in 1965.

OUTLOOK

Union contracts expiring in 1966 have been settled. The year 1967 will be active with respect to labour negotiations. Contracts covering the photo-engravers in the Toronto and Ottawa Branches, as well as the lithographers at Montreal Branch and Herold & Garbe, Toronto, will expire late in 1967 and although we expect difficult negotiations with the Lithographers and Photo-

engravers International Union we have always found the Union to be responsible and co-operative in previous negotiations.

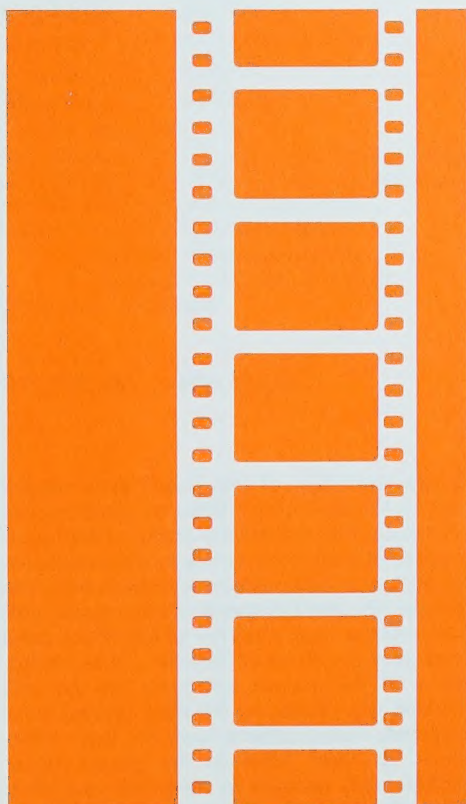
It is expected that capital expenditures for the ensuing year will be considerably less than the past year and will be directed towards updating the printing plate divisions with many of the latest developments in production equipment. However, studies are now in progress to determine the advantage of extensive physical improvements to our Toronto production facilities. If it is determined that such changes would be economically warranted substantial expenditures will be under consideration.

The demand for products in our industry is not stable and does not permit accurate prediction of sales volume for even a few months ahead. However, the results of the year to date would indicate volume will be comparable with 1966 for the first half of our fiscal year. Labour and supply costs continue to rise together with all forms of taxation which require constant improvement in operating efficiency to maintain our level of profits.

APPRECIATION

The importance of the loyalty and co-operation of employees in providing quality production and service for our customers cannot be over emphasized. The directors gratefully acknowledge the efforts of our employees who have made possible the success achieved during the year.

Neil Sutton
President



3. By resolution of the Board of Directors dated October 19, 1965, an Employees' Stock Option Incentive Plan was approved and options were granted to employees to purchase 10,000 of the unissued common shares of the Company. The options are exercisable over a period of ten years from that date at a price of \$2.42¼ a share being 85% of the market bid price on the last trading day preceding the date options were granted. These options have not been exercised to date. 9,000 of the shares under option were granted to directors who were also officers of the Company.

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 1966

LIABILITIES AND SHAREHOLDERS' EQUITY

1966

1965

CURRENT

Bank indebtedness — secured	\$ 442,506	\$ 723,552
Accounts payable and accrued	572,959	515,403
Dividends payable	24,975	24,975
Income taxes payable	200,788	76,813
Other taxes payable	75,819	81,187
Sinking fund requirements, less funds held by Trustee	46,250	44,000
	<u>1,363,297</u>	<u>1,465,930</u>

DEFERRED INCOME TAXES

92,547 65,900

MORTGAGE PAYABLE

5½ % mortgage due July 1, 1970	15,865	19,769
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FUNDED DEBT

Authorized: \$1,000,000		
Issued: 5% First Mortgage Sinking Fund Bonds		
Series A, due June 1, 1969	800,000	800,000
Less redeemed and cancelled	<u>573,000</u>	<u>551,000</u>
	227,000	249,000
Less current sinking fund requirements	<u>68,250</u>	<u>44,000</u>
	<u>158,750</u>	<u>205,000</u>

SHAREHOLDERS' EQUITY

Capital stock (Note 3)		
Authorized: 10,000 6% cumulative redeemable preferred shares with a par value of \$100 each and callable at \$104. 200,000 60¢ cumulative participating Class A shares and 200,000 common shares all without nominal or par value		
Issued: 4,000 preferred shares	400,000	400,000
126,500 Class A shares }		
168,500 common shares }	<u>541,088</u>	<u>541,088</u>
Retained earnings	<u>1,997,512</u>	<u>1,523,631</u>
	<u>2,938,600</u>	<u>2,464,719</u>
	<u>\$4,569,059</u>	<u>\$4,221,318</u>

4. The total amount of sales or gross revenue derived from the operations of the Company required to be disclosed in the accounts under Section 117 of the Canada Corporations Act has been omitted pursuant to an Order of the Chief Justice of Ontario dated January 10, 1967.

5. An aggregate amount of \$187,511 was paid by the Company for directors' remuneration including amounts paid to directors as officers and employees.

6. The Company has guaranteed loans of associated companies totalling \$124,000.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	For the year ended December 31, 1966	1966	1965
Balance — beginning of year		\$1,523,631	\$1,398,852
Earnings for the year		267,011	224,679
Surplus arising on settlement of expropriation (Note 2)		347,003	—
		<u>2,137,645</u>	<u>1,623,531</u>
Deduct			
Excess of cost of subsidiary Company acquired over book value of its assets		20,233	—
Investment written off		20,000	—
Dividends on preferred shares		24,000	24,000
Dividends on Class A shares		75,900	75,900
		<u>140,133</u>	<u>99,900</u>
Balance — end of year		\$1,997,512	\$1,523,631

CONSOLIDATED STATEMENT OF EARNINGS

	For the year ended December 31, 1966	1966	1965
Earnings from operations before taking into account the following items		\$781,900	\$703,081
Deduct			
Depreciation		168,344	178,808
Amortization of plant improvements		31,066	29,142
Bond interest		11,819	12,974
Other interest		37,204	50,818
		<u>248,433</u>	<u>271,742</u>
		533,467	431,339
Add			
Investment and other income		8,910	2,472
Profit on disposal of Winnipeg assets		—	9,377
Earnings before income taxes		542,377	443,188
Income taxes		275,366	218,509
Earnings for the year		\$267,011	\$224,679

CONSOLIDATED STATEMENT OF WORKING CAPITAL

For the year ended December 31, 1966

1966

1965

SOURCES OF WORKING CAPITAL OPERATIONS

Earnings	\$ 267,011	\$224,679
Depreciation	168,344	178,808
Amortization of plant improvements	31,066	29,141
Deferred income taxes	26,647	41,500
	<u>493,068</u>	<u>474,128</u>

OTHER

Mortgages receivable	411	2,680
Expropriation	347,003	103,333
Disposal of Winnipeg assets	—	41,825
	<u>840,482</u>	<u>621,966</u>

APPLICATION OF WORKING CAPITAL

Property	86,472	130,574
Plant and equipment	75,913	154,549
Plant improvements	2,606	26,071
Investments	103,294	3,831
Redemption of bonds and sinking fund requirements	46,250	45,000
Mortgage payable	3,904	3,698
Mortgage receivable	58,088	—
Dividends to shareholders	99,900	99,900
	<u>476,427</u>	<u>463,623</u>

Net increase in working capital for the year	364,055	158,343
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Working capital at beginning of year	952,496	794,153
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Working capital at end of year	<u>\$1,316,551</u>	<u>\$952,496</u>
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AUDITORS' REPORT

The Shareholders,
Rapid Grip and Batten, Limited.

We have examined the accompanying consolidated balance sheet of Rapid Grip and Batten, Limited and subsidiary companies as at December 31, 1966 and the consolidated statements of earnings, retained earnings and

working capital for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of the company and its subsidiaries as at December 31, 1966, the results of their operations

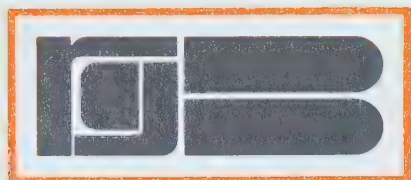
and the source and application of working capital for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross Bailey & Smart

Chartered Accountants.

Toronto, Ontario,
March 17, 1967.

COMPANIES AND PRODUCTS



RAPID GRIP AND BATTEN, LIMITED

The parent Company with Head Office in Toronto maintains complete plate-making plants in Toronto, Ottawa and Montreal, fully equipped for the production of almost every type of printing plate: Black and White and Process Colour Photoengraving—Offset separations and plates — Box Die and Rubber Plates for Flexographic printing — Wax Engravings — Plastic Plates — Mats — Stereotypes — Electrotypes.

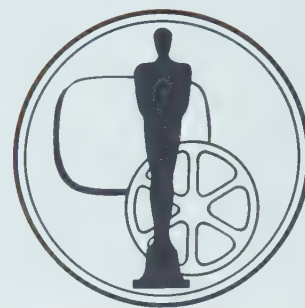
The Newspaper Services Division operates principally from Toronto, supplying syndicated "stock services" in mat, stereotype and proof form for Daily and Weekly newspapers, from coast to coast.



RABKO TELEVISION PRODUCTIONS CO. LIMITED—Toronto. A wholly-owned subsidiary

A completely equipped modern film studio for the production of Television Commercials.

This Company, with its fine facilities is known for its creative planning and sensitive direction in the production of outstanding TV Commercials . . . many of which have won international recognition.



MEDALLION FILM LABORATORIES LIMITED — Toronto. An associated Company

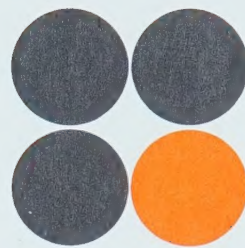
An important and integral part of the TV and film industry, specializing in the processing and distribution of 16 and 35 mm black and white and colour film.

This enterprising Company, with its staff of experienced technicians, provides a complete quality motion picture film processing service for the professional, previously unobtainable in Canada.



ART ASSOCIATES LIMITED — Toronto. An affiliated Company. The creative and photographic facilities of the Toronto Branch of Rapid Grip and Batten, Limited were merged during the year with those of this Company, a leader in the field of creative art and photography in Toronto.

Herold & Garbe



HEROLD & GARBE — Toronto. A Division of Rapid Grip and Batten, Limited

Specialists in the production of offset reproduction and press plates for the lithographic printing industry. Herold & Garbe with a staff of skilled craftsmen, employing the latest technological advances in the graphic arts, produce a steady flow of high quality reproductions for calendars, catalogues, packaging, direct mail advertising and other fine printing.

This firm founded in 1927 and purchased by your Company in 1956 has enjoyed a reputation for exceptional colour reproductions for 40 years.

FAIRBAIRN STUDIO LIMITED — Ottawa. A wholly-owned subsidiary

Operated as an independent studio, this complete commercial art group, recently acquired by the parent Company, has been firmly established in the Ottawa area for 35 years.

Recognized as the major art studio of the Capital city, its staff of talented artists and designers will prove a valuable addition to, and widen the scope of our Ottawa operations.

ARNOTT ROGERS BATTEN LTD. — Montreal. An associated Company

One of the largest and best known creative studios in Canada. Arnott Rogers Batten Ltd. also operate an extensive photographic laboratory service, specialize in the preparation of audio-visual presentations and have separate individualized facilities for the preparation of catalogues.

As a studio this Company has won more awards for excellence than any in Canada and their work is sold in Canada, the United States and Europe.

COLAB, a professional photographic laboratory service based in Ottawa has transferred production to Arnott Rogers Batten Ltd.

HIGHLIGHTS AND RESEARCH

Research and development, continues to assume a greater importance to every industry with each successive year.

While our own work in diversified fields is most important, we are constantly reviewing and in pursuit of advanced knowledge and improved methods in the graphic arts.

The recent appointment of a Director of Product Development, the establishment of a research laboratory directed by a qualified chemical engineer, and the annual Technical Seminars for our staff, emphasize the importance given to exerting maximum effort to maintain and advance our position of leadership in the industry.



Seeking new uses for existing equipment is an ever-present challenge to the technicians within your Company.

This high-level technological approach to diversification has already produced results that may, in the near future, mean greater production potential for your Company.

The application of new methods with an aim to improve the operating effectiveness of equipment and staff is one of many steps being taken in this overall research plan.



With the increasing tempo and exacting demands of business today, there is an expanding need for the development of greater knowledge and new skills.

The current emphasis on engineering and applied science to our industry has opened new areas of development.

Throughout the past year, our studies have included extensive evaluation of our own production methods and research in the manufacture of new and different products.

A number of experimental projects are nearing completion and there are promising indications that our research programmes will generate new business for the Company.



